



UNIVERSITAT DE BARCELONA
BUSINESS SCHOOL

MSc
International Business

Aldi's International Expansion – Past and Present

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Date: 05-07-2020

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ABSTRACT

The MNC Aldi has had a successful international expansion throughout recent decades. The German company has an almost exclusively positive record of growth while leaving competitors behind.

The international expansion strategies Aldi uses are analysed and linked to recognized international business theories within this paper.

The work reveals that Aldi uses a variety of strategies in order to stay competitive within the global food retail industry, including a slow, conservative international expansion approach that is based on cost leadership and efficiency within the firm. Moreover, the company's internationalization approach fits the international business theories.

These insights can help stakeholders of the food retail industry make decisions for the future and provide an overview of a successful discounter going abroad for aspiring food retailers.

Keywords: Aldi; Discounter; Internationalization; Expansion; Food Retail Strategies

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1. INTRODUCTION

In the late '90s, when I was little, shopping at discounters was frowned upon in Hamburg, Germany. People were skeptical about the produce quality and disliked the ambience within the stores. My mother did not want to be seen at discounters, as these stores evoked negative associations and were labeled as “shops for poor people” and grocery shopping there was considered embarrassing by many.

Over the decades, an increasing number of people started shopping at discounters, including my family. Today, discounters contribute over 43 per cent of revenue of the German food retail industry, amounting to € 125.3 billion in 2019 (Henrich, Statista.com, 2020).

The quality of the products offered in discounters is similar to or even just as good as in other types of food retail stores (Nilsson, Sparrmo, & Strömqvist, 2004). Furthermore, the average customer has so many different brands to choose from in the supermarket, that a more restricted assortment may just be appreciated by the overstimulated, undecided consumer. This negative impact that too much variety has on a customer is known as the “paradox of choice” (Schwartz, 2006).

Over 65 per cent of Germans shop at Aldi, Germany's most popular discounter, on a regular basis (Pawlik, 2019). And that does not mean that the German population suddenly became poor; when one takes a look at the Aldi parking lots, there is a wide range of cars, including expensive ones, such as Porsches. It appears the company's target customers are classless (Sachon, 2010). Moreover, German Aldi customers are above-average satisfied with the Aldi products (Henrich, Statista.com, 2019). Aldi was one of the first discounters in the world. Consequently, the company accumulated an abundance of knowledge and capabilities. The firm is the discount leader and acts as a role model for other aspiring discounters worldwide (Sachon, 2010).

In the UK, nearly two-thirds of households shop at an Aldi or a Lidl store at least once in three months. Furthermore, it is the UK's fifth-largest food retailer with a market share of 7.5 per cent, and it is growing quickly: Aldi opens a new store every week on average. The German discounter is changing the industry with its extremely efficient processes and the resulting low costs, reducing margins to a minimum and forcing competitors to take drastic measures to reduce costs (Rice, 2019).

It is difficult to get a viable overview of the dynamic discounter world and expansion of Aldi, as the company is quickly expanding. However, it is important to understand the growth of the company in order to conclude what caused success or failure, which will in turn be beneficial to take into account for future growth strategies. Moreover, Aldi's expansion, being the discount king and pioneer, can be taken as an example for the whole hard discount retail industry, which is a growing one and therefore increasing in importance.

Hence, the aim of this paper is to examine the case of expansion strategy of Aldi in order to understand how it became so successful in Germany and abroad, as well as to be able to provide a deeper insight about the company's internationalization process. To do so, this work uses different sources of information based on primary sources (information published by the same Aldi, the web page Aldi-nord.de, Aldi-sued.de, and their subsidiaries' web pages, an interview

(see Annex A), as well as secondary sources about the food retail industry. Moreover, international expansion strategies will be linked to well-known international business theories that will be briefly explained. Furthermore, this work also provides a glance into the future of food retailing by analyzing current trends and the role of hard discounters.

This work is organized as follows: firstly, the contextual framework will be elaborated, which includes the importance of the industry Aldi operates within. Further, the international business theories will be presented. The following sections focus on Aldi and its history and strategies. Lastly, Aldi's internationalization approach will be analyzed, which includes the link to the international theories described before.

2. CONTEXTUAL AND ENVIRONMENTAL FACTORS

In March 2020, when news about the novel Coronavirus outbreak struck the world, people in numerous countries started panic buying and hoarding food and medicine as several governments announced countrywide lockdowns. Consumers stocked up on non-perishable goods, which is food that has a long shelf life and does not require refrigeration, as well as soap and paper products (Nielsen, 2020). Within the next months of the pandemic, grocery stores saw record high sales and were faced with new challenges such as low stock and employee reorganization (Onita, 2020).

Quickly it becomes clear that supermarkets are a necessity for us humans as we all need to eat in order to survive (Cooper & Ellram, 1993).

2.1 Importance of the Food Industry

The food industry is an established industry that is essential to each economy. It is also considered a very stable and robust sector, mostly resilient to economic cycles and fluctuations compared to other industries (Slimakova, Stavarek, Prazak, & Ligocka, 2019).

The food industry encompasses companies that produce, manufacture, package, retail, and distribute food products in a variety of ways and includes several categories of food such as dairy, seafood, eggs, fruit and vegetables, luxury foods, organic food, meat, packaged food, condiments, and cereal-based products. They are the main customers of the retail industry. The industry has evolved significantly in the two last decades with the help of technological advances. According to Market Research Reports (Market Research Reports, 2020), the food industry generates roughly USD 3.7 trillion per year overall. Supermarkets and hypermarkets are driven by the food sector and make up the biggest market share regarding sales. Major players in the industry include Nestle, Kraft, AppleBee's, SodaStream, BrightFarms, Kind Snacks, Brazil Foods, Bon Appetit Management, ITC, Britannia, Mondelez International, General Mills, Scanavert, and Capilot Labs. (Market Research Reports, 2020)

The food industry is Europe's largest manufacturing sector with a turnover of €1,192 billion in 2017. There are roughly 294,000 companies involved in it that spend € 2.9 billion on research and development collectively. The food industry has been growing over the past decade and remains a major contributor to Europe's economy. There are approximately 4.72 million people employed, which makes the sector the leading employer in Europe. Furthermore, it makes up 13.8 per cent of household expenditures in Europe. Worldwide, the food industry has a low concentration. This means that there are many different actors in the industry who share power.

In fact, according to Food Drink Europe, the 50 currently leading global food manufactures represent approx. 30 per cent of global food sales. However, some regional markets and product lines may be concentrated. The following table 1 displays the importance of the food industry regarding turnover, employment numbers, and value added within European countries.

Table 1. Key numbers of the food industry in Europe

Country	Employment ranking in manufacturing	Turnover in € billion	Value added in € billion	Number of employees in thousands	Number of companies operating in the sector
Austria	1	23.7	6.1	85.3	3,977
Belgium	1	51.8	8.2	92.7	4,284
Bulgaria	2	5.9	1.1	95.5	6,262
Croatia	1	5.5	1.3	60.6	3,248
Cyprus	1	1.6	0.4	12.7	925
Czech Republic	4	14.6	3.2	112.8	10,415
Denmark	2	25.1	4.2	53.7	1,635
Estonia	2	1.9	0.4	14.9	737
Finland	4	10.8	2.5	38.0	1,771
France	1	228.1	46.5	703.6	54,643
Germany	2	203.9	42.4	885.1	23,531
Greece	1	14.6	3.0	114.8	17,123
Hungary	1	12.4	2.3	105.2	6,778
Ireland	1	24.6	-	47.4	1,731
Italy	2	138.6	27.0	448.7	56,400
Latvia	2	1.9	0.4	23.7	1,184
Lithuania	1	4.2	0.8	41.1	1,619
Netherlands	1	76.7	13.0	140.0	6,611
Poland	1	62.4	13.0	426.0	15,154
Portugal	1	16.8	3.3	113.0	11,183
Romania	2	12.5	7.4	183.2	9,134
Slovakia	-	4.5	0.8	42.4	3,911
Slovenia	4	2.2	0.5	13.7	733
Spain	1	118.8	20.7	404.3	28,212
Sweden	3	20.0	4.8	51.0	4,488
United Kingdom	1	118.7	30.7	460.0	10,352

Source: own elaboration based on (Food Drink Europe, 2019)

Over the last decades, the consumers' concerns over the food they purchase and consume have shifted: while in the '70s consumers were relatively price-sensitive and would often take the cheapest option, this changed in the '80s when quality and value for price were ranked more important than price alone. Moreover, convenience, choice, and service were added as

important aspects of purchase decisions. Later during the '90s, diet and health, additives, safety, environment, and welfare was also considered important by consumers.

Today, customers are more aware and selective than ever. They are concerned over the composition of food, the chemicals used in its production, environmental safety, and contamination. This leads to a more complex and more demanding consumer. In order to stay competitive, many companies within the food industry need to adjust in order to meet these new criteria (Pugh, 1990).

2.2 The Food Retailing Industry

Without the food retailers in our neighborhoods, we would have to purchase food directly from the producers or farmers or grow our own. This would lead to a lot of serious problems for most of us as this requires a lot of time. Especially the population living in the city depends on their local grocery stores due to the long distance to rural areas with agriculture (Zhong, Xu, & Wang, 2017).

Retailing is defined as the transactions that a buyer makes to consume personally. A retailer is a business that purchases products from a producer and re-sells them to the final consumer. Hence, retailers act as middle hands between the producer and the end user. However, a retailer can also be the producer of its own private label products at the same time. There are various types of retailers, such as specialty stores, department stores, convenience stores, and supermarkets. They all differ in size, assortment, price, and volume (Retail-Index, 2019).

Supermarkets and grocery superstores are large, low-cost, self-service stores that offer food items, laundry items, and household products. They are usually located in the peripheries where there is a lot of space for parking, as well as stocking and handling products.

The positioning of a company equals the profile it has within a market and how its consumers perceive it. This profile distinguishes a company from its competitors and must be easily recognized. Furthermore, companies should target segments that they can dominate within and clearly point out the potential benefits they can offer their customers.

The following Table 2 illustrates the ten biggest food retailers by turnover in Europe.

Table 2. Top ten biggest food retailers by turnover in Europe

Position of Retailer	Turnover in Europe in € Billion	Country of Origin
1 Schwarz	104	Germany
2 Aldi	64	Germany
3 Carrefour	60	France
4 Tesco	57	United Kingdom
5 Rewe	57	Germany
6 Edeka	54	Germany
7 Les Mousquetaires	40	France
8 E. Leclerc	38	France
9 Sainsbury	34	United Kingdom
10 Auchan	33	France

Source: own elaboration based on (Retail-Index, 2019)

Location with regards to size, situation, and surrounding is one of the most important aspects to consider when it comes to strategic retailing as it limits the geographical area to its customers. When deciding for a location, retailers must take into account elements such as a region's economic circumstances, the assortment, infrastructure and public transportation, the competitors' locations, and the target group. The target group is important to analyze as it is impossible to please all consumers within a market. Market targeting means evaluating the attractiveness of different target groups. This is also called market segmentation. For this process consumers are divided into sub-groups that respond to specific market stimuli in a similar manner. This practice helps companies set their prices appropriately and gain a strong market position. Each retailer must find their own target group and analyze their prospects. Two further important aspects that retailers must consider are their assortment and product range, as well as their pricing policy.

Today, retailers have difficulties attracting and retaining customers as it becomes harder to differentiate from their competitors due to the assimilation of services, convenient locations and product assortments within the food retail industry.

2.3 The Role of Discounters in Germany

There are however several ways to stick out of the crowd as a retailer. As the European market is rather diverse and complex, an emphasis will be put on the country Germany in the following. Germany is a mature market with fierce competition and slow growth. There are four main players based on revenues in the country: the Schwarz Group, the Aldi Group (Aldi), the Rewe Group, and the Edeka Group. Discounters are the most important cluster in terms of popularity as German consumers are relatively price-sensitive. However, German customers seem to take their ecological footprint into account whilst grocery shopping. Taken together, this leads to extremely low margins in the German food retail industry (Schramm-Klein, 2018).

In 2018, the food retail industry generated an over € 123 billion revenue in Germany, while discounters represented 43.4 per cent of that (Koptung, 2020).

Discounters use the cost leadership strategy, which means that they offer a good or service at a lower price than their competitors. In order to become and stay a cost leader, a firm must find a way to lower its costs yet keep the quality of its offerings at least acceptable. With this strategy, discounters can obtain the same or a higher amount of profit as other forms of retailers. Moreover, the former practice the "same for less" approach, which means that most discounters' offered products are of the same quality as other retailers' merchandise yet available at distinctly lower prices (Nilsson, Sparrmo, & Strömqvist, 2004).

However, the growing of discounters is not limited to recent developments. Within 17 years, between 1990 and 2008, in Western Europe 26,000 discounters opened. This resulted in a market share increase of 8.5 per cent from 11.1 per cent in 1991 to 19.5 per cent in 2018. Consequently, traditional supermarkets feel pressure to lower their prices. Aldi was one of the first discounters to exist and is therefore considered a "pioneering" company in this field.

Small studies have shown that consumers tend to choose to buy their groceries at discounters when they feel that they are having less economic purchasing possibilities. It appears that the less money consumers have, the less freedom they have to buy what they do not essentially need. An increase of the number of people buying from discounters during and after the 2008 recession was observed. An interesting revelation of the small studies was that the consumers

who started shopping in discounters during economic hardship oftentimes stayed as a loyal customer. This seems to be a clear sign of increasing popularity of discounters in general (Lamey, 2014).

2.4 Food Retail Industry Trends

Concerning the future of the food retail industry in Germany, one can see that the prospects for discounters within the food retail industry are good and it appears to be a sector of growth.

Although Walmart has tried to establish a name in Germany, it did not survive the German food industry market. Whereas drug stores such as DM and Rossmann grow their food retail sales market share consistently.

Regarding the trend towards digitalization, Germans tend to hesitate to buy their groceries online. However, the Rewe Group and the Edeka Group are well present in this concept with their web shops. Consequently, if the online grocery business does grow significantly, the established food retail companies are likely to stay relevant (Henrich, 2020).

Another trend seems to be the introduction of brand products in discounters and the adoption of these as numerous discounters have started to offer brand products. However, the analysis of advantages and disadvantages of discounters offering brand products is highly debatable (Deleersnyder & Koll, 2012).

3. THEORETICAL FRAMEWORK: INTERNATIONAL BUSINESS THEORIES

As the business world is dynamic and ever-changing, international business (IB) theory development is crucial in order to understand the behavior of businesses in the past, the present, and in the future. There has been a lot of progress since the beginning of the establishment of IB theories in the 1960s; global corporations have been researched extensively by various fields and from diverse perspectives. As a result, there are numerous theories regarding the international expansion of multinational companies (MNC) (Miravittles & Zhang, 2016). Nine relevant theoretical approaches towards the internationalization of companies will be presented in order to link them to the German discounter Aldi in a later section of this article.

3.1 The Need for a Monopolistic Advantage and the Liability of Foreignness

One of the first relevant theories that is still significant today is the assumption that an international company must have a monopolistic advantage over domestic firms in order to overcome the liability of foreignness and be successful abroad. Examples for a monopolistic advantage include product differentiation, excellent marketing skills, patents, advantageous access to capital, and organizational skills. The liability of foreignness is a term used for the assumption that MNC face certain additional burdens when operating abroad unlike domestic companies, such as the currency conversion risk, discrimination by local authorities and consumers, and the lack of a deep host market knowledge (Miravittles & Zhang, 2016).

However, this approach was one of the first perspectives on a firm's internationalization and has been researched extensively since its existence. In recent years, researchers have tried to illustrate the complexity of the topic and have identified different levels of the company, such as regions and individuals, rather than the organizational aspect only. Three further levels can be added to the complex foreignness factor: the effect of foreignness, the level of analysis, as

well as the locus of foreignness. The effect of foreignness determines if the foreignness of a company is a liability or an asset. The level of analysis defines if the organization as a whole is examined or other levels are focused on, such as the individual, as theoretically any aspect that shows a distinction between domestic and foreign can be assessed. Lastly, the locus of foreignness can be divided into an “external locus” and an “internal locus”, whereby the former is caused by a company’s status as a non-local company, while the latter is caused by the firm’s (corporate) culture, its behavior, and values linked to the firm’s country of origin. Depending on which locus is applicable, the effects and appropriate strategies of a firm will differ: Internal-locus firms will better focus on their internal organizational structure, while external-locus firms should manipulate the perception of the host environment in their favor (Joardar, Kostova, & Wu, 2014).

When it comes to overcoming the liability of foreignness, research suggests that it is advantageous for a firm to have ties to a host country in terms of geography, former colonies, immigration, language, or culture. However, if a company has a specific superiority that undermines competitors in the home market, it can also challenge competitors in a host country. Activities that help to get over the liability of foreignness are hiring capable local personnel as well as a non-family executive, avoiding stereotyping, and establishing an appropriate business re-contextualization process (Gorostidi-Martinez & Zhao, 2017)

Moreover, scholars have also conducted research on potential benefits of foreignness. A foreign company may have valuable, rare, inimitable, and organizational resources (which is a “resource-based view” of a firm) due to the fact that they are foreign, which in turn can be a potential benefit (Ikegami, Maznevski, & Ota, 2017).

3.2 The Product Cycle Theory

The “product cycle theory” added a dynamic dimension to why companies internationalize by taking into account the timing of innovation, the effects of scale economies, as well as the uncertainty of trade barriers. The product cycle consists of three relevant stages:

- 1) The new product stage: The new product is introduced and innovated further within the home market
- 2) The maturing product stage: Productivity and cost efficiency are focused on as the home market demand becomes more price-elastic. The firm begins to export to foreign countries.
- 3) The standardized production stage: There is decreased production differentiation and a fierce price competition in the home country and the labor-intensive work is outsourced as the home market imports the product from host countries (Miravittles & Zhang, 2016).

Some relevant criteria used to assess the value of a specific assortment are

- the product life cycle’s current phase and turnover,
- the competitiveness of the company for a specific product,
- the generated profits,
- the risk, and
- the allocated resources concerning the product offer (Aertsens, Mondelaers, & Van Huylenbroeck, 2009).

It is recommended to implement a different marketing mix to different phases of the product life cycle in order to maximize its potential (Mickwitz, 1959).

3.3 The Internalization Theory

A new theory focusing on the issue that firms internationalize despite associated high costs emerged in the mid-seventies. It assumes that internationalization takes place due to transaction costs economies, implying that some tasks are more efficiently executed in other locations due to different comparative advantages. As a result, companies internalize abroad for cost efficiency when transaction costs (which are costs that occur when making a transaction) are relatively high. Oftentimes these MNC outperform the domestic competition due to their efficient processes (Miravittles & Zhang, 2016).

A company internalizes international activities when the transaction costs within the corporation are lower than the transaction costs linked to the market exchange. There are four relevant transaction costs that will determine if a firm will delegate the distribution on to another firm or establish a subsidiary in a foreign country:

- 1) the search costs
→ the costs for searching for potential partners,
- 2) the contracting costs
→ the costs that occur while negotiating,
- 3) the monitoring costs
→ the costs for examining if a potential partner may be the right fit, and
- 4) the enforcement costs
→ the costs that occur when sanctioning a partner that is not meeting the firm's requirements (Bourlakis & Bourlakis, 2005).

Furthermore, there are three influential aspects that affect the amount of these costs: the asset specificity, the degree and type of uncertainty that a company faces, and the frequency with which the uncertainties occur.

The asset specificity relates to if the assets used by the supplier and the buyer of the asset can be re-deployed in another manner by other users. The more specified an asset is for a transaction, the less useful it will be outside this very transaction. There are four types of specificity: site specificity (e.g. distance between warehouse and retail store), physical asset specificity (e.g. the renting of an additional warehouse), dedicated asset specificity (e.g. highly specialized assets such as software packages), and human asset specificity (e.g. relevant experience).

The uncertainty that a company faces typically concerns either the environment or the behavior of the transacting partner (opportunistic behavior). However, both types of uncertainty cause additional costs.

The transaction frequency pertains to how often transactions occur between the partnering firms (Bourlakis & Bourlakis, 2005).

3.4 The Eclectic Paradigm

The above-mentioned theories aim to explain why firms internationalize and how they organize this activity. However, the "Eclectic Paradigm", or the "OLI Model", which stands for

ownership advantages, location advantages, and internalization advantages, was developed in order to also take into account issues related to location (Dunning, 1980).

The “OLI model” illustrates the interaction of the ownership, location, as well as internalization advantages of expanding internationally.

The “O” (ownership) refers to a sustainable advantage over competition and is essential for the firm to be successful abroad to overcome the liability of foreignness. The “L” (location advantages) concerns the foreign location’s advantageous properties and favors the production in the foreign market rather than produce domestically. The “I” (internalization) refers to engaging in company-owned production abroad and reducing external transaction costs. It suggests the exploration of the foreign market through exports or direct investment rather than through contracts, such as trade or licensing (Frossard Silva-Rego & Roder Figuera, 2019).

Companies use a combination of the different advantages to justify their international expansion. Moreover, firms can develop certain advantages by using another advantage, for example they can enrich their ownership advantages by exploring location advantages and internalizing advantages (Guimon, 2016)

The model illustrates why MNCs expand into a particular country and how they allocate their resources (Vida, 2000), while emphasizing the significance of the host country environment (Silva & Carrizo Moreira, 2019).

In order to make a successful foreign direct investment (FDI) as a company, the firm needs to 1) overcome their liability of foreignness with a competitive advantage, 2) benefit from this competitive advantage in the host country instead of hiring an external company, and 3) gain something from undertaking their activities abroad. If these conditions are not met, the company will benefit more from exporting their products rather than setting up an FDI (Miravittles & Zhang, 2016)

It is assumed that a rational decision about the entry can be made based on cost information and analysis. For this reason, it is crucial that sufficient foreign market information is available (Sakarya, Eckman, & Hyllegard, 2007).

3.5 The Uppsala Model

Also called the “Internationalization Process”, the “Uppsala Model” provides an additional perspective regarding the obstacles of internationalization. To be precise, it emphasizes the lack of knowledge of and resources for the new market. It also provides a solution: the companies must gradually establish a presence in the host market and learn from their experiences. Consequently, according to the model, MNC expand country by country, starting with the culturally and geographically close ones and later growing into more distant territory (Johanson & Vahlne, The internationalization process of the firm - a model of knowledge development and increasing foreign market commitments, 1977).

The Uppsala Model regards internationalization as a dynamic continuous process with gradual progression depending on the firm’s experience. Moreover, it includes four stages within the internationalization process with each stage built on top of the stage before:

- 1) Exporting passively
- 2) Exporting with the help of domestic agents
- 3) Establishing a sales subsidiary
- 4) Establishing a manufacturing subsidiary (Miravittles & Zhang, 2016).

The term “psychic distance” refers to differences in culture, language, education, business practices, and industrial development and is used to explain the search for an appropriate location to internationalize. As mentioned above, this psychic distance will be overcome through gradual experience and learning (Frossard Silva-Rego & Roder Figuera, 2019).

A new perspective on the Uppsala Model arose in 2009, when research highlighted the importance of the “liability of network outsidership” as an internationally expanding firm, rather than the liability of foreignness, as discussed in section 3.1. This theory implies that the process of internationalization consists of a firm establishing relationships, obtaining knowledge, building trust, and commitment. However, the already well-established firms, which are usually domestic, have the advantage of already being an “insider” within these relevant networks (Johanson & Vahlne, 2009).

3.6 The Evolutionary Theory

Another significant theory regarding the internationalization of companies is the “Evolutionary Theory”. The focus here lies on the resources of the firm, meaning the essence of competitive advantage and the resulting superiority of a specific firm. According to the theory, competitive advantage is linked to human capital as well as technological, marketing, and organizational capabilities as they are difficult to imitate (Miravittles & Zhang, 2016).

The evolutionary theory recognizes the approach of “learning-by-doing” as a source of growth and therefore includes the continuous development of individuals within a firm.

An emphasis is put on the growth of knowledge, especially tacit knowledge, as tacit knowledge is not bound up with individuals but rather seen as growth through the establishment of relationships and the organizational structure as a whole.

Moreover, the theory acknowledges uncertainty and other persistent challenges concerning information and knowledge within the company.

Overall, the orientation within this framework is towards the building of organizational resources rather than towards market evaluations unlike previously discussed models (Hodgson, 1998).

3.7 The International Entrepreneurship Perspective

In view of psychological, sociocultural, and managerial aspects, the entrepreneurship literature analyzed the issue of internationalization in regard to individuals and their relationships. The results of the research conducted in this field imply that network capabilities and entrepreneurial opportunity-seeking behavior highly contribute to a relatively fast and effective international company expansion. This new research approach, fueled by the rapid international expansion of small start-ups with limited experience, caused the inclusion of entrepreneurs, managers, and management teams in the analysis of the internationalization process of companies (Miravittles & Zhang, 2016).

Internationalization equals creating value for a company through a combination of innovation and risk-seeking from the entrepreneurial perspective. Market knowledge and the ability to form relevant relationships is crucial for a successful international expansion. Scholars have

researched the entrepreneurs' attitudes, motivations, orientations, experiences, as well as networks in order to explore relevant traits as this group of individuals is vital for growth-oriented firms that are still in the beginning phases of their international expansion. Essential entrepreneurial attributes are decision-makers with international vision, international experience, appropriate education, and business exposure. The entrepreneurial approach sees the human resources of a firm as means to a sustainable competitive advantage (Jafari-Sadeghi, Kimiagari, & Pietro Biancone, 2019).

3.8 The Institutional Theory

Entrepreneurship is an important aspect of economic growth and innovation. Accordingly, institutions around the world have implemented incentives to encourage entrepreneurship in their respective countries. By doing so, institutions determine the entrepreneurial capacity of their nation.

These institutions are organized in multiple levels that range from lower-level family and community to higher-level cultural and political-economic aspects (Zhai & Su, 2019).

Based on both a sociological and organizational approach, the "Institutional Theory" aims to demonstrate how institutions within each market put pressure on companies to resemble other companies that exist in the same environment. Institutions are resilient social constructions that are composed of cultural-cognitive, normative, as well as regulative elements. These institutions provide stability to their respective societies; however, they are dynamic and therefore change over time. The theory indicates that organizations look to their peers for deciding how to behave and act appropriately (Marquis & Tilcsik, 2016).

As each country is regulated by different institutions, the according pressures vary as well. As a result, tensions are created between MNC and their international subsidiaries, as subsidiaries face the issue of needing to adapt host country practices as well as holding on to a common internal company culture. Moreover, the less similar two institutions are, the more complex the integration of the two conflicting issues will be (Miravittles & Zhang, 2016).

3.9 The Network Theory

As partnering up with other firms has proven to be an effective way of staying up-to-date with the worldwide dynamics and therewith gaining a competitive advantage, inter-organizational relationships have increased in importance for MNCs throughout recent years (Agostini & Teshome, 2019).

The "Network Theory" focuses on the relationships a business relies on such as with suppliers, customers, agents, and competitors. The network approach is about maximizing value. Continuous inter-company relationships are vital for the formation of networks and provide significant flows of information, knowledge, and capabilities (Bourlakis & Bourlakis, 2005). It aims to illustrate how international companies organize their international activities while assuming that the business environment affects the MNCs the most. According to this theory, MNCs function as complex global networks that rely on different departments that are embedded in different host country networks.

The establishment of international business networks is considered a key source of intangible assets for MNCs. As MNCs with established foreign subsidiaries have to manage a broad

portfolio of varying capabilities in various markets, they can take advantage of the knowledge-transfer process between the MNC and the subsidiary. The Network Theory works harmoniously with the Uppsala Model, the Evolutionary Theory, the Institutional Theory, as well as the international entrepreneurship literature (Miravittles & Zhang, 2016).

4. ALDI'S RECORD OF SUCCESS

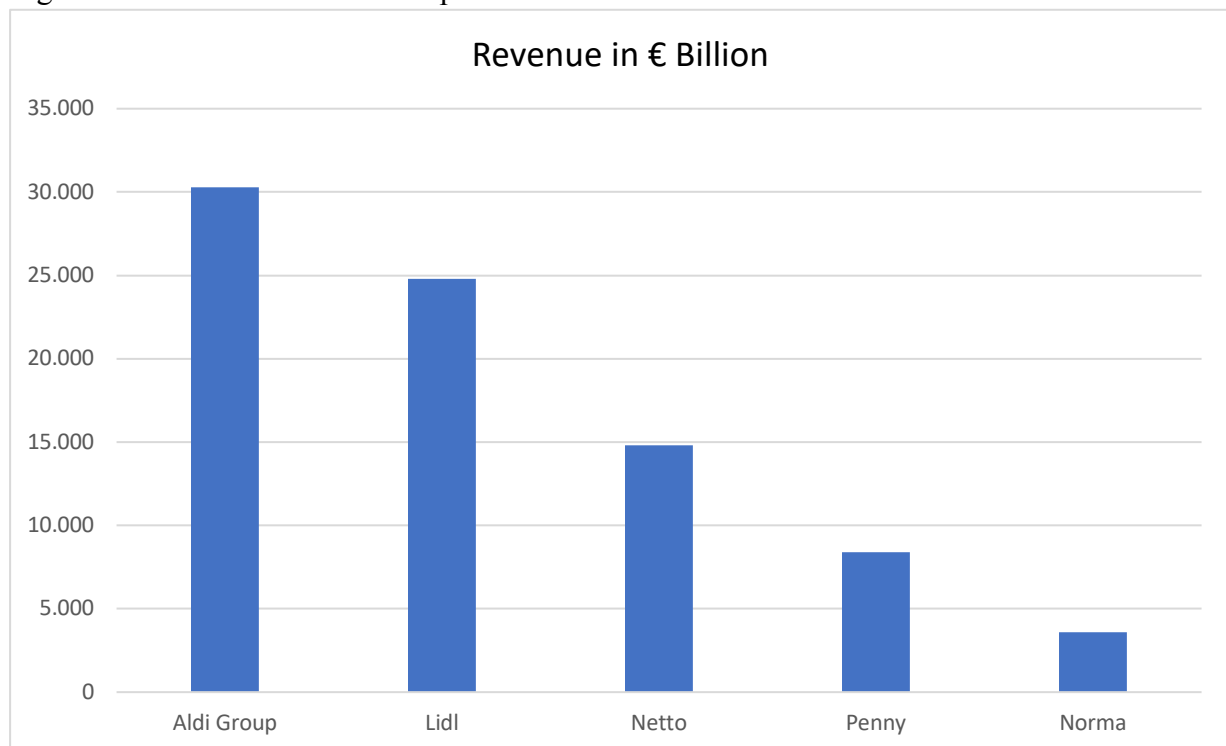
As mentioned above, Aldi pioneered in the discounter industry in Germany and has grown into a successful MNC. Before analyzing Aldi's past international expansion in regard to the above-mentioned internationalization theories, the company's history and strategy will be elaborated in the following to get a better understanding of the circumstances under which Aldi has grown and currently operates.

In Germany, Aldi is the fourth-biggest food retail company and holds a market share that is smaller than the Edeka Group, the Rewe Group, and the Schwarz Group.

According to the internet statistics platform "Statista", Aldi's revenue equaled approx. € 30.3 billion in 2018 while steadily growing as a company throughout its existence. This implies that Aldi generated more revenue than all its German discounter competitors such as Lidl, Netto, and Penny. Additional to the revenue, Aldi also outcompeted the other discounters with their higher customer number (almost 27 million shoppers in 2018). Today, Aldi operates more than 4,100 branches in Germany (Koptung, 2020).

Figure 1 illustrates the revenue in € billion from 2018 of the five most important German food discounters in comparison.

Figure 1. Revenue of the most important German food discounters in 2018



Source: own elaboration based on (Statista, 2019)

One can see that the Aldi Group is currently one of the most successful discount retail stores in Germany and beyond. What started as a simple idea over a hundred years ago developed into a multinational discount empire today.

4.1 History of Aldi

The following table 3 illustrates the important events that shaped Aldi into the MNC it is today.

Table 3. The history of Aldi

Year	Aldi Milestones
1913	Karl Albrecht opens his own bakery
1914	His wife Anna Albrecht opens their own grocery store in Essen-Schonnebeck
1919	The couple buys more real estate within the area to expand their successful shop (Aldi Süd, 2019)
Shortly after WWII in 1945	Their two sons, Karl and Theo, take over the couple's shop and turn it into a branch operation
1948	Four "Albrecht shops" are successfully established
1957	They open their first shop outside of the city Essen There are now 77 branches The shop becomes a self-service store, meaning that the customers take their own groceries from the shelves
1958	There are already 100 branches, while a second central warehouse is built in 1957 in Mülheim-Dümpten This later becomes the headquarter of Aldi Süd (Aldi Süd, 2019).
1961	The brothers split the company over a dispute They form the companies "Aldi Süd" (meaning Aldi South) and "Aldi Nord" (meaning Aldi North), that are still linked and operated under those names today Aldi Nord operates in Northern Germany at first, after the fall of the Berlin Wall in Eastern Germany as well, whereas Aldi Süd operates in Western and Southern Germany
1962	The first Aldi store introduces the discount principle: a humble amount of groceries inside paper boxes is offered in a simple room Consequently, all Aldi stores follow this principle (Aldi Süd, 2019)
1968	The Aldi Group acquires the Austrian grocery store "Hofer" including its 30 branches and internationalizes this way In the following decades, Aldi Süd expands into seven further countries
1975	There are 500 Aldi Süd stores in Western and Southern Germany alone
1980	Aldi introduces big parking lots for cars at their stores This is a new concept for discount stores
1984	Aldi Süd expands their merchandise with the introduction of cold sections, as well as fresh fruits and vegetables

1995	Aldi Süd revolutionizes the computer market as the company offers high-tech personal computers that allow the purchase for the average consumer
1998	All Aldi stores receive freezers, which expands Aldi's merchandise and product offer even further (Aldi Süd, 2019)
2002	With the introduction of the Euro, Aldi Süd equips all stores with modern scanner cash registers
2006	Further fresh meat products, new organic products, as well as "light products" are added to the assortment Furthermore, recycle automats are put in the stores for customers to return their plastic bottles in exchange for money
2007	Aldi Süd offers products online as well as a flower service, a photo service, and acts as a phone provider
2008	Aldi Süd starts to use solar energy from their own photo-voltaic panels 1,250 Aldi store roofs are equipped with these panels in 2017 and provide Aldi with 15 per cent of Aldi's energy
2009	the stores are equipped with fully atomized ovens that are used for baking fresh baked goods
2010	The company publishes their very first Corporate Social Responsibility Policy in 2010 and defines the basic principles regarding the environment and human rights with which Aldi Süd operates within all their locations
2015	Electronic stations for electronic bicycles and cars are installed at 50 Aldi Süd branches This again made Aldi a pioneer in this regard, as the company is the first grocery store to implement electronic stations to this extent
2016	Aldi Süd modernizes all their branches with a new, warm lighting, as well as a new yet still simple interior design
2018	The Aldi Group decides to ban one-way plastic bags until the end of the year as the first big grocery store in Germany From now on, there are only reusable bags to be purchased at the cash registers
2019	Aldi opened a 2,000 square-meter-big store to offer groceries and typical festival equipment to the 60,000 visitors of the open-air festival "Southside" in Neuhausen, Germany (Aldi Süd, 2019)

Source: own elaboration based on (Aldi Süd, 2020) and (Aldi Nord, 2020)

Today, Aldi is still a privately-held company that does not report to shareholders and therefore does not have to worry about short-term profits.

4.2 Aldi's Competitive Strategy

Discounters are a type of supermarket that is typically equipped in a simple manner and has an assortment that does not change much or often to reduce complexity whilst grocery shopping (Rudolph, Wagner, & Sohl, 2009).

These can be further classified as “hard” discounters or “soft” discounters. There are relevant aspects that determine if a discounter is a hard one or a soft one:

- 1) The amount of the offered products: hard discounters have fewer than 1,000 Stock Keeping Units (SKUs) while soft discounters have approx. 3,000 SKUs
- 2) The operating costs, which are significantly lower at hard discounters
- 3) The pricing level, which is typically lower at hard discounters
- 4) The role of private labels: hard discounters often include 90 per cent or more of their own private brands in their assortment, whereas soft discounters usually offer 50 per cent or less of their own brands in their assortment (Lamey, 2014).

Hard discounters offer products at prices that are lower than most traditional discounters. Furthermore, they are usually characterized by offering few services, relying on their own private label products, and offering limited SKUs per category compared to supermarkets. Moreover, in Europe, hard discounters are the fastest growing retail entity. (Deleersnyder & Koll, 2012).

The number of hard discounters in Europe has significantly increased in the past decade and represent a market share of approx. 9.5 per cent today.

4.2.1 Purchasing Power and Optimized Management

In order to analyze Aldi's internationalization approach, one must understand how hard discounters generate profit compared to other forms of food retailing.

Currently, retailers hold the power within the distribution channel as they get to make the decisions about which products from which suppliers will be chosen. Hence, suppliers are usually dependent on the retailers, which makes the purchasing power of discounters one of their key success factors.

Hard discounters offer their products for a significantly lower price than supermarkets and hypermarkets do: approx. 15 to 30 per cent less. This is possible due to a purchase of large volumes of product lines. Typically, these are products that are not part of a well-known brand. Hence, producers do not have to pay for communication or marketing costs.

The greater the percentage of such products, the lower the companies can set the price. Almost the entire assortment of Aldi consists of such products. As a result, their profitability remains similar to the one of the leading brands, although the hard discounters' gross margins are usually much lower. Therefore, private label management is a second key success factor for hard discounters. Furthermore, successful hard discounters optimize and transfer their logistics, management, investment, and sales activities in order to substantially reduce costs. Paired with an immense turnover of capital, hard discounters generate profit solidly. It is recommendable for a hard discounter to possess a market share of at least one fourth of that of a rival supermarket in order to stay sustainably competitive, which most prosperous hard discounters typically do (Colla, 2003).

Due to Aldi's cost efficiencies, the company has a comparatively high operating margin of 9.3 per cent in Germany and is able to expand its business gradually (Chatterjee, 2017).

4.2.2 Simplicity

A McKinsey study found that above-average successful companies stick to the principle of uncompromising simplicity concerning their set objectives and procedures in order to achieve them. This simplicity approach results in a higher productivity per employee. Moreover, these firms also limit key numbers such as the range of the product line, the number of target customer groups, and the number of suppliers. On the other hand, companies that offer a higher number of product lines, have more customer target groups and suppliers, tend to have higher complexity costs and lower employee activity.

Aldi's key strategic concept is obtaining the cost advantage in order to offer the customer the lowest possible price within a market. This MNC motto is an integral aspect across the organization and helps maintaining clarity in leadership while enabling employees understand and contribute to Aldi's overall direction. Dieter Brandes, who was a long-time Aldi manager, wrote the book "consistently simple" that includes two key aspects of the firm's success:

- 1) a small product range and
- 2) "discipline" in order to keep the simplicity within the organization.

Today, Aldi offers approx. 1,400 products with the help of technological advances, however the MNC continues to resist all "temptations" to add functions to the company, including the extension of the product range. According to Brandes, overcomplexity comes from fear of making mistakes. As a result, expensive staff functions, new management layers, market analysts, and consultants are hired that are actually obsolete to the firm (Schmid *et al.*, 2018).

4.2.3 Cost Leadership

The cost leadership strategy is based on obtaining the lowest possible costs. It focuses on economies of scale as well as accessing the necessary materials at low prices. Moreover, a cost leader must reach the lowest possible production and distribution costs within a market. As a result, the products can be offered at a low price for customers and therefore high profitability of the firm is expected (Porter, M.E., 1980).

However, a company using the cost leadership strategy must also focus on innovation, as the development and application of new technology is vital for a company's efficiency (Teti, Perrini, & Tirapelle, 2014).

Moreover, the differentiation strategy, meaning the contrast to the cost leadership strategy, enables a company to keep their financial performance upright in the future, while cost leadership strategy companies often do not over time (Sarkar, 2019). Consequently, relying on being solely the price leader may not be sufficient to be and stay competitive within a mature market (such as Germany). A new emphasis should be put on customer-oriented strategies (Bush & Sinclair, 1992).

4.2.4 Product Assortment

Aldi is categorized as a hard discounter that has consistently adapted their assortment throughout the decades. At first, they sold preserves, flour, and sugar. They followed with cosmetics, as well as textiles, household items, deli meats, dairy products, fresh fruits and vegetables, wine, convenience food, fresh meat and bread, a selection of brand-name products. In the 90's, Aldi gained popularity with upper-class members with the introduction of luxury

goods. Those included electronic products, high-quality olive oil, and gourmet products. Additionally, Aldi offers a range of organic food, certified wood and paper goods, as well as according to Aldi sustainably-produced fish products (Aldi Nord, 2020).

4.2.4.1 Wine

Another important part of Aldi's assortment is their wine selection, which is very popular with their customers, according to Aldi. The firm offers a selection of reds, whites, and rosés, but also other types of wine, such as sparkling wine and champagne.

According to the company, the wine is regularly tasted by company experts and sensory tests are made on a regular basis. If a wine does not pass a test, it will not be continued in the assortment.

Many of their wines are certified with the "Berlin Wine Trophy", the "EU-Bio-Logo", "Stiftung Warentest", "Öko-Test", "Appellation d'Origine Contrôlée", and "Denominazione di Origine Controllata/ Garantita", which stands for Italian premium quality.

As part of their marketing strategy, Aldi hired Günther Jauch, a popular German spokesman, to create two wines (one red and one white) for the company to be sold to its customers (Aldi Nord, 2020).

Overall, Aldi's wine has been rated quite positively by independent testers (Pigott, 2017). As an additional service, Aldi provides written information and videos about the wine-making process, as well as some knowledgeable information around the topic of wine (Aldi Nord, 2020) and (Aldi Nord, 2020).

With the specialization of their wine selection and a somewhat high-level wine offering, Aldi shifts from a classic discounter image popular with low-income households to a more sophisticated store with extra value for middle-income and even high-income households.

4.2.4.2 Organic products

A further important offer within Aldi's assortment selection are their over 50 organic products. With its own brand "Gut Bio", the company has a range of organic products, including dairy, nuts, fruits, vegetables, lunch meat, juice, bread, eggs, honey, and cookies (Aldi Nord, 2020). By introducing affordable organic products, Aldi took the opportunity to speak to a new target group that is more health-conscious than the traditional Aldi target group. The company shows that they acknowledge the trend of purchasing organic products, a tendency that will most likely continue in the future (Organic Trade Association, 2019).

4.2.4.3 Fish Products

Furthermore, Aldi acknowledges the increasing problem of overfishing and claims to purchase fish products from sustainable producers so that the oceans are protected, the sea life is conserved, and the working conditions within the fishing industry are promoted. Aldi provides documentation that states their sustainability goals together with their suppliers and external partners. This document encompasses wild-caught fish, aquaculture, sustainable production, tuna, the exclusion of certain fish species, and the commitment to fair working conditions within the fishing industry. Moreover, the document includes the issue of transparency, the declaration of products, and information about Aldi's partners and standards, including certificates (Aldi Nord, 2020).

As the younger generations become more and more demanding regarding transparency, this is a smart move of the company to project an environmentally-conscious image. A more extreme measure would be for example not to offer any seafood at all, however, then Aldi would lose a portion of its profits.

4.2.4.4 Online Services

As the world is becoming increasingly globalized and digitalized, Aldi offers a variety of services online.

The company established their own online shop, in which customers can order several products and get them delivered to their home. This service includes free delivery and return, a 60-day return policy, competitive prices, and a range of products that varies seasonally, such as mattresses, gadgets, furniture, and laptops (Aldi Nord, 2020).

However, these online shop sales only include non-food items. As can be extracted from the interview (X, 2020), Aldi will need to change its policy to start to deliver food items in order to be competitive with big players, such as Amazon Fresh, in the future. Another online service Aldi provides is the distribution of flower bouquets. The shopper can customize his or her own bouquet for certain occasions and have them delivered to a certain address in the shopper's name (Aldi Group, 2020).

"Aldi Talk" is the company's communication provider and is an important part of the company's business offering for decades now. The provider uses the network of O2, which is used by many third-party providers due to its affordable networks, and offers competitive prices, especially for mobile data. Furthermore, they offer internet data plans and packages of internet with minutes and text messages (Aldi Group, 2020).

As one of the first discounters to offer travel management, Aldi established "Aldi Reisen", which acts as a travel agency for international travels, package deals, round trips, and cruises for various types of vacationing including the organization (Aldi Group, 2020).

With "Aldi Foto", customers can develop photos or create their own product such as photo books, cards, calendars, cups, and phone cases (Aldi Group, 2020).

A rather recent development is "Aldi Life", which stands for streaming music, games, and e-books for open systems and gadgets such as Android, iOS, windows, desktops, smartphones, e-readers, and game consoles (Aldi Group, 2020).

4.3 Aldi's Image and Marketing

Since their birth in 1946, Aldi has gone through a lot of changes regarding their reputation and marketing strategy. However, the company has always stuck to the concept of being "simple" and offering less of a variety of products for a cheap price (see Annex1).

Although this concept has attracted mostly low-income consumers in the past, Aldi's target group broadened throughout the decades. By reinventing their marketing approach with their recent "simple campaign" (Einfach Kampagne), the firm has found a new set of customers who look for less choice (see Annex1).

Following is an example of Aldi's "simple campaign" in Germany.

Figure 5. "Simple Campaign" Aldi Advertisement (Aldi Süd, 2016)



©Aldi Süd

“Simply, because we are not having right-turning pasta from the Himalaya, but Spaghetti.”

Source: own elaboration

With this advertisement, Aldi is ridiculing upmarket, high-end products and advertising the “simple” products they offer, implying that the purchasing of other, more expensive products, is unnecessary.

With a new era of technological vast advances and an overwhelmed consumer who is constantly overstimulated with advertisement, this campaign might spot a hidden desire for simplicity within a certain target group.

Furthermore, the change from Aldi’s old reputation as a simple low-income discounter to its new one as a supermarket offering a variety of high-quality goods and services are campaigns starring celebrities. One example is the above-mentioned Günther Jauch, who was partnered with to create a wine selection for the supermarket. Further famous people working with Aldi are Jette Joop, who is a German designer and who designed a clothing collection for the company in 2016 (Weishaupt, 2016), as well as the advertisement featuring Elisabetta Canalis, George Clooney’s ex-girlfriend, who promoted an espresso machine for the firm (Lebensmittelzeitung, 2016).

In 2017, Aldi stores presented a new design concept and remodeled all of their stores within a large project. They introduced a new logo, new, warm lighting, a modern interior design, coffee machines in some stores, and changes in the assortment (Eberenz, 2006).

Despite all changes and new focuses, Aldi sticks to its long-lasting sales driver: their prices. Trying to win over new customer segments, they do not want to lose their current customer base who value their low prices. Although the company shifts its image from a simple discounter to a more reputable supermarket, the old focus on price does not seem to shift with it, as further examples of the company’s advertisements include slogans such as: “simply, because the answer to the question if I can afford it, is always yes.”

With this advertisement Aldi tries to appeal to young customers with a relatively young model having fun on a bike. Younger people often live on a budget and have to watch their spending.

This is part of Aldi's "simple campaign" and speaks to customers who do not want to have to budget their spending while grocery shopping (Lebensmittelzeitung, 2016).

A further example of Aldi's campaign includes the slogan "simply, because one does not have to spend four layers of Euro bills on three layers of toilet paper." This advertisement (Lebensmittelzeitung, 2016) too belongs to the company's "simple campaign" and is supposed to appeal to families who do not want to spend more money than necessary, as products such as toilet paper might not be worth it to be spent much money on in their opinions.

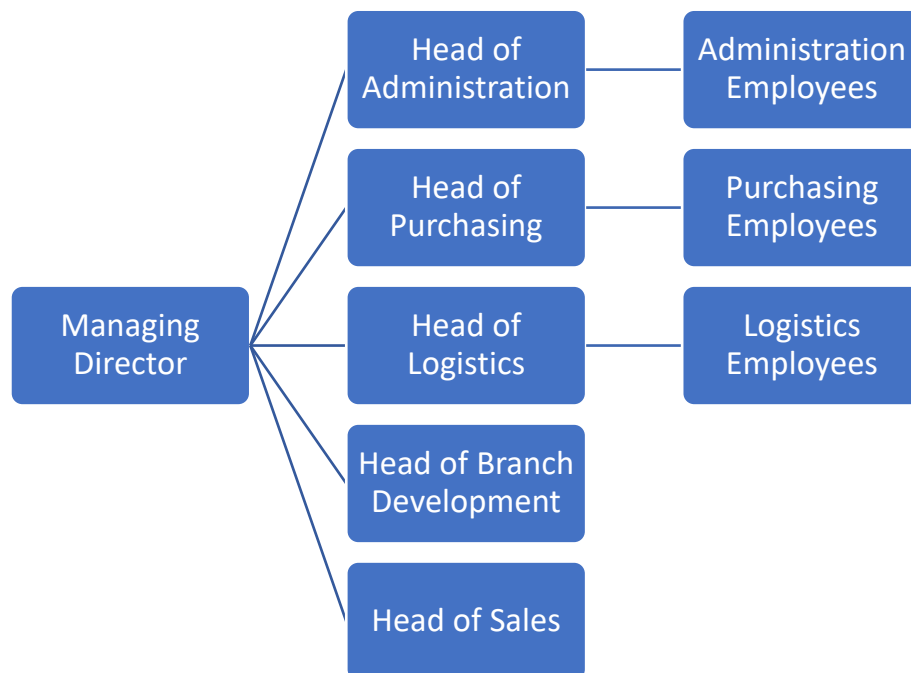
In summary, Aldi is trying to move away from being a food discounter with a "low-income" reputation to a diversified retail company with a polished image that offers quality products for an affordable price. Today, thanks to its diversification process, Aldi is not only known for its low prices, but is shifting towards a reputation of having high-quality standards, high transparency, and local production. The old Aldi concept of having a wide range of products with a limited offer within the product range has attracted a whole new customer group that does not have to rely on a small income.

4.4 Aldi's Corporate Strategy

Aldi is divided into Aldi Süd ("South") and Aldi Nord ("North") in Germany, with both stores operating in their respective regions. They have approx. the same amount of territory and number of stores in Germany, that they continuously expanded since their division in 1961 (Ruhr Revue, 2009).

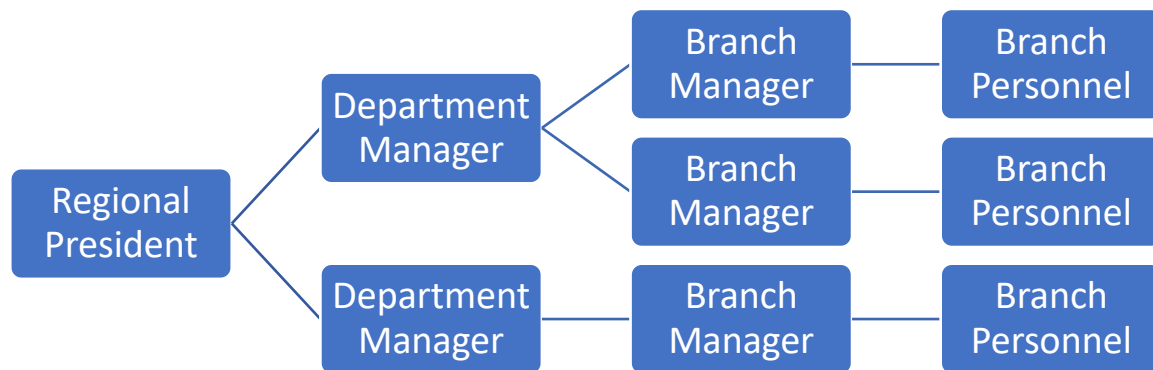
The following illustrations (Figure 2 and Figure 3) show how the Aldi Group is organized.

Figure 2. Aldi's organigram on the corporate level



Source: own elaboration based on (Aldi Suisse, 2020)

Figure 3. Aldi's organigram on the branch level



Source: own elaboration based on (Aldi Süd, 2020)

4.4.1 Aldi's Owners and Management

In 1973, Karl Albrecht founded the “Siepmann-Stiftung”, a family foundation that functions as an administration management tool for the companies’ accumulated wealth. The foundation owns 75 per cent of Aldi Süd. The main beneficiaries of the foundation are the family members of Karl Albrecht’s daughter, Beate Heister.

Within the same year, Theodor Paul Albrecht founded the “Markus-Stiftung” and later the “Lukas-Stiftung” and “Jakobus-Stiftung” for the wealth management of Aldi Nord. Theodor Albrecht’s descendants are the main beneficiaries. All three foundations must agree on important decisions. Theodor Albrecht Junior manages the “Markus-Stiftung” together with Torsten Hufnagel, who is also Aldi Nord’s president, as well as with Emil Huber who is a lawyer (Court of Schleswig-Holstein , 2016).

Theodor Junior is the only family member left being active in the business. Both Aldi Nord and Aldi Süd are managed by non-family members today. While Aldi Nord is managed by a governing board (Theo Albrecht Junior, Oliver Elsner, and Torsten Hufnagel) in Essen, Aldi Süd is managed by a coordinating board (Norbert Podschlapp and Thomas Ziegler) in Mülheim an der Ruhr. Starting in Mai 2020, Matthew Barnes and Thomas Ziegler will continue to manage the governing board of Aldi Nord (Kolf, 2019).

Aldi Süd and Aldi Nord are legally, organizationally, and financially independent from each other. However, together they own 66 regional companies in Germany, which control more than 4,250 Aldi branches. Those companies often have their headquarters outside of large cities close to the highway in order to efficiently deliver their products to the stores. In each regional company, there are multiple departments, such as logistics, administration, and IT. Furthermore, each regional company has one regional president who is responsible. Underneath the regional president there are department managers who assist him or her. The department managers manage up to 100 employees. In each Aldi branch, there is a main responsible branch manager who coordinates the personnel of the branch as well as the product disposition, payments, as well as the achievement of KPI’s. The low prices are described to be possible due to efficient structures and processes, strict employee management with above-average salaries,

tight logistics, strong power towards suppliers and a conservative approach towards advertising (Bassu, 2016).

It becomes clear that Aldi's upper management is rather closed-up and keeps outsiders out. The heads of the company only select a few of the top employees to be included in the strategic decision-making process. The small groups who decide about the major changes within the companies seem to facilitate effectiveness and have proven to be successful thus far. However, as Aldi's last family members involved in the management processes will pass away sooner or later, the company needs to adapt and learn to trust outside employees' ability to make smart strategic decisions.

Until now, Aldi has managed to grow its business in Germany and overseas successfully. Its conservative, yet quick and flexible adaptations towards changes within the market have given it a reputation of a low-price discounter for qualitative products.

The future outlook is good for Aldi: discounters are on the rise in general and Aldi is more popular than ever. With an increasing number of consumers switching to discounters, Aldi will have an advantage of providing their new customer groups with what they want with their over one century-long experience. Nevertheless, rather sooner than later, Aldi will be faced with obstacles that it will have to tackle without the help of family members, as there is only one family member left in the management. It might be a challenge to transition into a company that has less or no influence of family members anymore, as this is how Aldi was managed for over 100 years until now. Although the majority of family firms fails to survive after three generations of existence, Aldi's potential as a global corporation is big. Additionally, as the majority of the business is already professionalized, it looks like it might be a smooth transition into a non-family business (Bhatnagar & Ramachandran, 2017).

4.4.2 Steady growth since the '60s

In contrast to the leading supermarket rivals during that time, Aldi left out numerous customer-oriented services such as a broad assortment to choose from, fresh products with a short shelf life, individual prices on every product, an aesthetically-pleasing store design or decoration, and discount coupons. This helped Aldi achieve its cost-leader status as they were able to offer their customers extremely low prices. Moreover, the stores only accepted cash payments in its beginnings and had a fairly quick stock turnover (approx. ten days), which resulted in an abundant availability of cash. With the help of their own liquidity, Aldi expanded in a considerably short period of time (Logistik-Heute, 2010).

Since then, both Aldi companies grew steadily and organically in Germany for more than 50 years. However, the number of stores has declined throughout recent years, which might indicate that Aldi has reached its growth limits in Germany (Koptung, 2020).

As Aldi's popularity increased, so did its plans for growing. In order to secure its long-term success, the company needed to find a way to further grow. One way that Aldi enlarged its presence and customer base was its gradual diversification process. Although Aldi held on to its rule of rigorous simplicity in the past, the MNC recently diversified into multiple lines of business. Whether or not this decision was a wise one is yet to be seen. However, after decades of successful trading, such a step may be inevitable for a big MNC such as Aldi in order to stay competitive (Lehrer & Schmid, 2019).

Aldi engages in a variety of diversification strategies in order to find new ways to be profitable and sustain their future success.

Starting with the diversification of products, such as the introduction and specialization of vegetables, fruits, and wines, the company found new ways to gain and retain their customers attention and interest.

Additionally, Aldi started launching advertising on billboards and on TV in November 2016 for the first time in the existence of the company (Spiegel, 2016).

4.4.3 Mergers and Acquisitions

Another way to expand internationally are mergers and acquisitions.

With its rather conservative management approach, Aldi is quite hesitant with mergers and acquisitions as the company prefers organic and strategic growth. Nevertheless, the discounter has acquired a few noteworthy companies over the last decades.

Helmut Hofer founded the grocery store chain “Hofer” in 1962, which was acquired by Aldi Süd in 1967. As the name “Aldi” was already taken, the discounter is known as “Hofer” in Austria. However, today it is run under the same concept and Logo (except for the word “Hofer”) as Aldi. Additionally, Aldi in Switzerland, Slovenia, Hungary, and Italy are run by Hofer (Hofer, 2020).

Another acquisition of Aldi’s is “Trader Joe’s”, an American company founded by Joe Coulombe in 1958. It was bought by Aldi Nord in 1979. In contrast to Hofer, the concept and logo of Trader Joe’s is quite different from Aldi: the cashiers wear Hawaii shirts and the staff calls themselves a “crew”. The assortment is different as well, however, some products overlap with the assortment of Aldi (Husmann, 2006) and (Moerschen, 2006).

However, the two discounters want to work closer again and are planning to join forces concerning organizational structures and legal frames. Moreover, the assortments and processes are supposed to be matched and all activities within the purchasing procedure, corporate responsibility, advertising, and logistics are intended to be done once for both in order to create synergies, reduce inefficiencies and cut costs (Hucko & Schwarzer, 2020).

Furthermore, both Aldi groups want to merge their individual brand names until the end of this year to promote the unification (Manager Magazin, 2020). This might be a step towards the complete merging of the two sister companies. It will be interesting to observe the development of the allies in the future and how the unification process will influence the companies’ reputation and net worth as well.

4.5 Aldi’s Governance and Corporate Social Responsibility

To secure a stable growth and smooth expansion, keep processes efficient, and minimize risk, Aldi engages in several corporate social responsibility activities that will be elaborated in the following.

4.5.1 Protection of the Environment and Sustainability

As the topic of corporate social responsibility is becoming ever more relevant, the MNC implemented several measures in order to keep up to date with the changing customer expectations.

Aldi tries to avoid packaging in order to tackle waste. Consequently, the discounter offers fruits and vegetables that is not packaged increasingly. Furthermore, they incentivize their customers to buy multi-usage bags instead of one-way plastic bags (Aldi Nord, 2020).

With this action, Aldi again speaks to its environmentally-conscious customer range. They show that they care about the protection of the environment and cut costs at the same time. Some customer segments might be unsatisfied with this new way of grocery shopping, as customers will need often bring their own bags or buy a new one every time they go shopping. As a global company with a big impact on the environment, Aldi states a corporate social responsibility policy that incorporates topics such as employees, suppliers, responsible use of resources, community engagement, and stakeholder communication.

For this purpose, the company established their own corporate responsibility website: <https://www.cr-aldinord.com/2017/nachhaltigkeitsbericht/update-2018/>. Within it, the firm informs their stakeholders about their yearly sustainability reports (Aldi Nord, 2018).

Within their web presence, Aldi declares itself to be dedicated to responsibility, sustainability, and community engagement. As members of the “UN Global Contract”, which is a contract established by the United Nations that incorporates ten universal sustainability principles concerning human rights, working conditions, environment, and anti-corruption, Aldi commits to obey these rules (Aldi Nord, 2020).

Furthermore, the company shows their commitment to respecting human rights with a human right commitment declaration and an effectiveness review (Aldi Nord, 2020).

Additionally, they support the “UN Sustainability Development Goals” and show their top 17 goals that they support and how they support it. The goals include eliminating poverty, gender equality, and measures for climate protection (Aldi Nord, 2017).

By providing information about and committing to their sustainable way of making business, Aldi assures to keep its suppliers, customers, and employees satisfied. Furthermore, Aldi avoids risk that is associated with unsustainable business practices that can hurt the company in the long run.

4.5.2 Transparency

Regarding transparency, Aldi provides comprehensive insights into their supply chain management. The firm provides wide-ranging information about critically-viewed food supply within their food supply chain, which includes coffee, cocoa, tea, palm oil, Fairtrade products, animal rights, and tracking (Aldi Nord, 2020), as well as non-food supply within their supply chain, such as wood, flowers and plants, cotton, textiles, working conditions and transparency (Aldi Nord, 2020).

As consumers become increasingly aware of issues concerning the environment and sustainability, it is a good move of the company to work with reliable and responsible suppliers and demonstrate this to their customers. Working with dependable and conscientious partners will also prevent risks occurring associated with unreliable deliveries and fraud.

4.5.3 Certificates and Labels

To add credibility to their statements, Aldi lists various certificates and labels to prove the quality of their produce. Their organic products are certified with the “European Union Bio-Siegel” with a special code that indicates that the production of their products is without synthetic crop protection.

Furthermore, their Fair-Trade products have the Fair-Trade logo, which implies that the products come from fairly-treated producers from other countries. The aim here is to sustainably change the positioning of small farmers in developing countries for the better. Moreover, the fruits and vegetables Aldi offers comes from producers that are certified with the “GLOBAL-A.P. standard”, which is a worldwide quality system to ensure high quality produce for the consumer (Aldi Nord, 2020).

Further labels include “ATC” for transparency, the “V-label” for vegetarian products, the Fairtrade label, the “EU-Bio-label” for organic products, the “UTZ-label” for sustainable cocoa, the “MSC-label” and the “ASC-label” for sustainable fish products (Aldi Nord, 2020). Labels and certificates play a large role in Germany. For many consumers, these provide a certain kind of evidence of quality and reliability. By incorporating labels and certificates, Aldi shows its main customer group (Germans) that they are able to provide proof of quality and that it is important to the company to provide it to assure its customers the value of their products. However, the company also provides labels and certificates for their overseas markets, such U.S.-Americans (Aldi Süd, 2020).

4.5.4 Partnerships and Donations

In order to project a good reputation as a helpful member of society, Aldi informs the public about the projects and partnerships it has on their website.

They partner up with “Deutsches Kinderhilfswerk” that promotes a healthy lifestyle or children and teenagers, the “Leibniz-Institut für Agrartechnik und Bioökonomie” that promotes a sustainable food production, and with the “German Initiative on Sustainable Cocoa”. Additionally, Aldi established their own initiative “Aldi Factory Advancement” to establish and keep suitable working conditions for the factories in Bangladesh that produce some of Aldi’s goods (Aldi Nord, 2020). Moreover, the company donates food and money locally to give back to their communities (Aldi Nord, 2020).

Donating and partnering up with charitable organizations is an effective way of preserving a good reputation.

By providing verified certificates and labels, offering organic products, and informing the consumer about transparency and where their products come from, Aldi engages actively with the customer and gives its name added value. The firm’s commitment to important partnerships, valuable projects, donations, and corporate social responsibility makes them more than just a company with cheap prices and gives Aldi the reputation it needs to compete in the strongly-competitive world of low prices.

Additionally, Aldi offers a wide range of online activities, however, it needs to broaden its concept of online shopping, as grocery deliveries are likely to gain a lot of popularity in the coming decades.

5. ALDI’S INTERNATIONAL STRATEGY

Companies in all shapes and sizes make FDIs in order to exploit the resources they already have as well as to look for new ones. Benefits of expanding internationally include the exploration of new idea sources, new product discoveries, access to personnel with diverse skills and perspectives, as well as inspiration of new business opportunities.

MNCs are generally considered superior compared to smaller businesses due to their numerous employees' experience and the transnational exchange of knowledge and capabilities. This assumption highlights expanding abroad in other countries as a potential source of value creation (Miravittles & Zhang, 2016).

Aldi has established a strong international presence in recent years. The limited assortment allows for reduced international purchasing costs compared to other retailers. Furthermore, the purchasing power and supplier management experience of Aldi are difficult to imitate, which created entry barriers for other retailers. Moreover, Aldi seems to push domestic traditional retailers aside at the long-term, national level due to its advantages concerning costs, volumes, and price. This can be exemplified with the French national discount retailers: they decreased in number of stores opened and lost market share with the introduction and growth of German hard discounters in France. These domestic traditional retailers hardly tried to internationalize themselves, which is an indication for the superiority of the hard discounters' strategy.

Overall, hard discounters have been the most successful food retail group to expand internationally. Compared to soft discounters and supermarkets, hard discounters established themselves in more foreign countries and have gained more market share for a longer period of time. Their aggressive internationalization is more advanced concerning market penetration rather than market development in new countries, as they have more opportunities for growth in these countries, so that a search for new ones becomes obsolete.

Interestingly, hard discounters prefer countries with higher purchasing power with modern retailing and super- and hypermarkets being the key formats with strong brands and a focus on customer service, such as the USA, Australia, and New Zealand (Colla, 2003).

Aldi internationalized as early as 1968 (seven years after its beginning). However, the company is rather secretive when it comes to its strategies (Frind, 2015). The following section will elaborate the known international strategies in the past and present of the MNC.

5.1 Aldi's International Expansion

The brothers Theodor and Karl split their initial market Germany into north and south. As the average German lives only 15 minutes away from the next Aldi store, the German market is fairly saturated. In order to move forward and grow, Aldi therefore had to expand internationally. To avoid competing against each other, the two Aldi founders made an agreement which states that they must not expand into the same country. (Frind, Handelsblatt.com, 2015).

Aldi's international expansion started with Austria, then continued with Belgium, the Netherlands, the U.S., and Denmark. France was added in the '80s, followed by the United Kingdom, Luxemburg, Ireland, Australia, Spain, Switzerland, Slovenia, Portugal, Poland, Hungary, and recently China as well as Italy (Aldi Nord, 2020), (Trader Joe's, 2020), and (Aldi Süd, 2019).

In November 2008, Aldi tried to conquer the Greek market, however it failed and therefore ended their operations in Greece (Handelsblatt, 2010). For the first time in Aldi's existence, the company withdrew from a market it already established multiple branches in. Aldi closed 38 branches after two years without providing a clear answer why it did so (Focus, 2010).

5.2 Aldi's International Presence Today

Aldi is present in 20 countries today. The following table illustrates which countries each Aldi Nord and Aldi Süd operate in, as well as which year they entered as well as the approximate number of stores they run within that country (Aldi Nord, 2020), (Trader Joe's, 2020), and (Aldi Süd, 2019):

Table 4. Aldi's international expansion

Country	Aldi North /South	Entry Year	Approx. Number of Stores
Europe			
Germany	North and South	1961	2,300
Poland	North	2008	100
Denmark	North	1977	220
Netherlands	North	1975	490
Belgium	North	1973	430
Luxemburg	North	1990	10
France	North	1988	850
Spain	North	2002	250
Portugal	North	2006	40
Switzerland	South	2005	200
Austria	South	1968	510
Italy	South	2018	60
Slovenia	South	2005	90
Hungary	South	2008	140
United Kingdom	South	1990	840
Ireland	South	1998	140
ASIA-PACIFIC			
Australia	South	2001	540
China	South	2017	2
NORTH AMERICA			
United States	North and South	1976	1,890

Source: own elaboration based on (Aldi Nord, 2020), (Trader Joe's, 2020), and (Aldi Süd, 2019)

5.2.1 Greenfield Investments

The rate of the Aldi expansion was slow, yet steady. To successfully enter and sustain within a chosen foreign market, Aldi uses the market entry strategy of "Greenfield Investments", which are FDI's made in a foreign country (Barclay, 2002). In Aldi's case, the MNC builds new stores from the ground up.

Alternatively, Aldi could for example acquire or merge with an existing firm in the host country, however, the MNC chooses this kind of FDI repeatedly. The entry mode choice depends on several relevant factors including the additional costs that occur when entering a new market, as well as the effects the market penetration has on market structure, produced output, and prices in the market (Görg, 2000).

One important advantage of greenfield investments (compared to mergers and acquisitions) is the exploitation of company-specific advantages within the new market. As its cost efficiency is Aldi's main driver for success, this is a logical step Aldi takes. Choosing another entry strategy might jeopardize the company's competitive advantage. Another practical reason for the greenfield investment strategy is the fact that Aldi sources the majority of its products from local suppliers as stated above, and local suppliers typically produce local food. Further advantages of greenfield investments include host country support as they typically create new production capacity and jobs (specifically in emerging economies), avoidance of trade restrictions, tax incentives, and the avoidance of fluctuating foreign exchange rates. Taken together, this strategy enabled Aldi to keep its production and transportation costs low and therefore offer its customers the Aldi-famous low prices. Nevertheless, greenfield investment is a rather risky expansion method, as a lot of capital is typically at stake. This can lead to big amounts of losses, as can be exemplified with the above-mentioned failure of the subsidiary in Greece (Dudovsky, 2012).

5.2.2 A Multi-Domestic MNC with a Glocal Approach

There are three different types of MNC strategy approaches: the global, the transnational, and the multi-domestic MNC (Bartlett & Ghoshal, 1998) and (Harzing, 2000). Each type is a distinctive approach to organize and structure a business internationally. The global MNC focuses on the efficient production of products with the help of intra-firm resources, while a multi-domestic approach focuses on diversification and adaptation to the geographical market and relatively independent subsidiaries in order to successfully sell the product, while the transnational strategy combines the two (Yip, 1989).

As Aldi operates decentralized within the food retail sector, it must adapt to the local taste sensibilities and can be therefore categorized as multi-domestic.

As Aldi opens subsidiaries in new markets, they usually adapt their assortment to their customers' wants and needs of the specific market. This is relatively easy as the MNC sources from local suppliers. However, as Aldi primarily internationalized in European markets in close proximity to Germany, adaptation is not a big challenge as many European countries consume similar products, as can be seen with the example of Aldi in Poland: Most of the assortment is similar with a few exceptions of local product adaptation, especially in the frozen food section (Aldi Nord, 2020).

When it comes to markets that are further away from Germany, however, Aldi adapts to the populations' food habits. A good example for this is Aldi's subsidiary in China: although some products are the same as or similar to German Aldi products, much of the Chinese assortment is adapted to the Chinese cuisine, taste, and lifestyle (Aldi Süd, 2020).

Another interesting example is Aldi in the U.S. The MNC offers a variety of "typical German" products, such as sausage and potato salad, but also adapts to the U.S.-American eating customs and offers for the U.S. typical products including coleslaw, baked beans, and "Angel Food" cake mix (Aldi Süd, 2020).

Interestingly, Aldi has a different website layout and design for each of its subsidiaries.

Moreover, Aldi uses the “glocal” approach when setting up a subsidiary abroad. The term refers to companies combining both a global as well as a local method in order to appeal to the customers in each market by “thinking globally and acting locally” (Godey & Lai, 2011).

Aldi became a glocal brand by developing local market connections as well as adapting to local market consumption of the foreign markets as it sources its products locally to adapt the taste, while staying a global brand with standardized products (Steenkamp, 1989).

This glocal approach helps Aldi stay flexible yet efficient at the same time.

5.2.3 Cultural Distance

“Cultural distance” is also responsible for why Aldi chooses to operate multi-domestically and give their subsidiaries the managerial freedom they have.

The term describes the difference in cultures between home countries and host countries and usually affects the foreign market entry decisions of MNCs. Hence, Aldi first internationalized within markets close to the German culture (Europe, USA, Australia, etc.). According to Hofstede (Hofstede, 2001), the cultural distance between two countries can affect the managerial effectiveness of the MNC and therefore influence the degree of success regarding the firm-specific advantages. As a result, a lack of knowledge can be fatal for a foreign venture as the perception of difficulty in doing business increases significantly with cultural distance (Lee & Jang, 2016). Applied to the internationalization of Aldi one can say that the MNC chooses to first expand into countries that are less risky due to cultural “closeness”, and employees in subsidiaries are more familiar with German work practices. Consequently, the firm-specific advantages are more likely to be leveraged.

As Aldi already expanded in almost all the geographically and culturally close countries, such as the neighboring countries and Anglo-Saxon cultures such as the U.S. and Australia, the next steps were tapping into culturally distant waters, such as China. China with its approx. 1.4 billion inhabitants represents a huge potential market and is therefore a desired country for MNCs to expand to. Next, Aldi’s management is likely to analyze potential markets less focused on cultural distance, but rather on market size and attractiveness due to other reasons, such as purchasing power to conquer it before the competition does.

5.3 Three Important Markets: UK, USA and China

The UK, USA and China all represent strategically important markets for Aldi. In the following the expansion of the MNC within each country will be elaborated.

5.3.1 Expansion in the United Kingdom

The conditions Aldi looks for in a market were all present in the United Kingdom: no big hard discounters were present yet, the leading food retailers were listed on the stock exchange, and the UK was a wealthy market. The most effective way to outcompete Aldi when it enters a new market is for the domestic firms to cut prices, however, being a public company means having to satisfy shareholders and their demands for short-term profits and bonuses. Furthermore, inhabitants of wealthy nations do not usually compromise on the types of food they eat,

meaning that everybody eats more or less the same quality food. This is important for Aldi as they depend on their low-cost private labels.

When in 2008 the economy collapsed, and inflation rose above 5 per cent, the big grocery stores raised their prices in order to maintain their profit margins. But since consumers needed to save money, they tried out discounters out of necessity. However, as the economy recovered, Aldi remained a popular shopping destination in the UK.

Furthermore, the company attracts and retains capable personnel by paying above-average salaries and giving incentives such as company cars. As a result, staff may not only stay with Aldi, but leave competitors in order to start working with the company, which in turn hurts the competition even more. In the UK, for example, new Aldi store personnel receives a pay of £ 9.10 per hour, which makes Aldi the industry pay leader.

Nevertheless, there are plenty more opportunities for Aldi to grow in the UK. By 2022, the MNC plans to open 200 more stores, amounting to approx. 1,000 altogether. Moreover, the firm puts a focus to expand into more affluent neighborhoods, which implies that Aldi recognizes its shift of reputation and aims to further magnify on it (Rice, 2019).

5.3.2 Expansion in the USA

Since its first store opening in 1976 in Iowa, Aldi has steadily grown within the United States market by adapting the price leader strategy. As a result, Aldi's reputation in the U.S. was reduced to be a store for low-income households, much like it was the case in Germany. However, private label merchandising helped the company establish an image of offering products of better quality. When Walmart, one of Aldi's biggest competitors in the U.S., reduced its assortment and increased the percentage of private label products in the late '90s, Aldi gained popularity as Walmart's customers lost trust. Experts expect a significant decrease of grocery store chains in the U.S. in the near future as many will not be able to compete with low-price giants such as Walmart and Aldi (Chatterjee, 2017).

In 2017, the MNC invested € 1.5 billion to build 400 new stores as well as to expand existing stores in the USA in order to saturate the market before the arrival of competitor Lidl (Österreichischer Rundfunk, 2017). Moreover, the MNC plans to increase the number of Aldi stores from 1,800 to 2,500 by the year 2022, which would make it the third-largest store chain in the United States by store count (Rice, 2019).

One can see that the U.S. market is still an important one for Aldi, which can be linked to its vast purchasing power and potential for expansion both geographically and population-wise as it is a big country with a large population.

In Angola, a small town in Indiana, personal experience shows that Aldi's reputation slowly changed in the U.S. as well. What used to be a "low-income people shop" ten years ago still is considered a "store for health foods" now with lots of options for organic products for an affordable price.

5.3.3 Expansion in China

In the spring of 2017, Aldi Süd started to offer a selection of its products through the online platform "Tmall Global" to the Chinese population. At first, the online shop mainly offered wine and grocery items that do not require cooling, which were provided by mostly Australian

suppliers. As mentioned above, the Chinese market entails approx. 1.4 billion individuals, which makes it the biggest market in the world regarding population. Today, Ali operates two stores in Shanghai, offering approx. 1,300 products such as beverages, wines, snacks, fresh produce, and body care products, as well as local seasoning and candy. Especially Australia-imported goods including ice cream, milk, and beef are popular with the Shanghainese. The store design is modern and made for the tech savvy population who prefer online payment options such as “Scan and Go”, which is a program that allows the customer to scan the products while shopping and paying the amount of the purchase via phone when exiting the store. Furthermore, Aldi offers a delivery service for a radius of three kilometers and offers a “Dine-In Counter” for the consumption of snacks (Aldi Süd, 2020).

The above-mentioned concepts are continuously examined, elaborated, and flexibly changed according to the MNC’s customers feedback (Kunsleben, 2019).

So far, this Aldi store is implemented with the most drastic changes compared to the other ones as the culture is the farthest away from Aldi’s “home” Germany both geographically and traditionally.

Aldi’s overall predominant pattern is a slow and careful international expansion with the sole help of their own funds (Schmid, Dauth, Kotulla, & Orban, 2018).

5.4 Analysis of Aldi’s Strategy through the Internationalization Theories

5.4.1 Monopolistic Advantage and Liability of Foreignness

Aldi’s organizational skills including their ability to retail their products with an exceptionally efficient process can be viewed as a basic monopolistic advantage. As described previously, the MNC has outcompeted international and domestic rivals in several locations with its extremely low prices thanks to its tight logistics and distribution as well as its strong purchasing power. By achieving cost leadership within a market, they push aside local competitors and establish a strong presence within the new market.

The liability of foreignness is often avoided with the hiring of local personnel as native employees can act as consultants and know what works and what to avoid in their own culture. For this strategy to work, however, one must appoint capable individuals with experience in order to avoid mistakes as best as possible. This local know-how and process improvement can be further added to the monopolistic advantage of the organization as a whole.

Furthermore, the Aldi brand and how the population in the host country perceives the company can be influenced by its origin, Germany (Lee, Chen, & Guy, 2014). The label of being a German company can have positive impacts of the MNC’s reputation in the host country as German companies are usually perceived as delivering high-quality goods and services (Liu, Öberg, Shlomo, & Xing, 2018). As a result, the above-mentioned effect of foreignness can be regarded as an asset rather than a liability.

However, as Aldi adapts its products to the host country’s customs and tastes and therefore forms a new identity within each host country, the favorable German company reputation may become irrelevant.

5.4.2 The Product Life Cycle

The product life cycle is a practical tool to manage the product mix a company offers. It is useful in order to conceptualize the changes that typically take place over a period of time (Jobber, 2007). Aldi's product can be considered the sale of a restricted assortment of fast-moving consumer goods which are products that are sold relatively quickly. In the early phases of the establishment of the company, Aldi grew fast and expanded rapidly as described above. At first, Aldi has grown in its home country, Germany. There it defined its business well. However, as the MNC is reaching its limits of growth in Germany (Koptung, 2020), Aldi seems to have arrived at the standardized production stage in its home market, and therefore has reduced opportunities to grow. Consequently, it needs to begin to look for other markets outside of Germany. As the MNC continuously expands into other countries such as Italy, the U.S., and China, the company as a whole is far from reaching its growth capacity. In a perfect scenario, Aldi could establish an international presence as it did in Germany (or even superior) and this will take a lot of time as the company is mostly in the new product stage in the majority of host countries.

5.4.3 The Internalization Theory

Being a food retail company, it only makes sense for Aldi to internalize as the MNC sources most of its products from local suppliers. To reduce transaction costs that would occur if the company, for example, acquired a different company, such as restructuring the acquired company or retraining the acquired company's staff, Aldi uses greenfield investments and builds their subsidiaries from the ground up in the host countries. Although this strategy requires initial investment capital, it is beneficial for a company that plans to operate within a country for the long term as additional costs including transportation costs and commission costs are avoided.

The relevant transaction costs will occur either way, because the MNC will either negotiate with domestic retailers when exporting their own label products or acquiring a company in the foreign country or negotiate with suppliers when making a greenfield investment. However, the search, contracting, and monitoring costs may be significantly lower when establishing a subsidiary in the host country, as Aldi usually partners with suppliers for the long term. Moreover, the retail industry is a dynamic one and exporting as a way to internationalize requires a lot of monitoring and keeping up-to-date, which in return requires investment.

Regarding the aspects that affect the amount of the transaction costs, meaning asset specificity, degree and type of uncertainty, and the frequency with which the uncertainties occur, Aldi tries to establish subsidiaries in a way that reduces uncertainties and in countries that involve low risk (such as culturally close countries). To be precise, this means that the MNC's assets, such as supplies and experienced personnel, are little specified and easily re-deployed, the partners are carefully chosen and usually contracted with for a long period of time.

Additionally, due to Aldi's decade-long experience within the food retail industry and its economic power, it can outperform less experienced domestic retailers by being both more efficient and offering a lower price for a longer period of time. In order to keep its monopolistic advantage, meaning cost leadership within the industry, Aldi should continue to internalize and integrate its processes vertically so that the company has full control over its business outcomes.

5.4.4 The Eclectic Paradigm

Also known as the OLI Model, the eclectic paradigm represents the interaction between the ownership advantages, the location advantages, and the internalization advantages when going abroad.

Aldi's ownership advantage that grants the MNC a sustainable competitive edge is the capability to trade extremely efficiently and therefore offer low prices to the customer.

The location advantages differ from region to region. The most obvious advantage of sourcing from local producers in the host market is the preservation of the produce freshness which is essential for being able to sell it on the market. Moreover, transportation costs are significantly reduced when operating close to the actual store building where the goods are sold. Furthermore, being. Retail business, Aldi needs to make sure to stay as close as possible to the customer. Being close to the final consumer fosters success in the foreign market. Consequently, the MNC should stay focused on opening up new shops gradually so that the customers do not switch to another discounter. Additionally, engaging with local staff and local suppliers helps market the company and its product to the local consumer.

The advantage of internalizing production entails a reduction of transaction costs as discussed in the previous section.

5.4.5 The Uppsala Model

When it comes to the challenges Aldi faces when going abroad, the MNC's size is a big advantage. As one of the biggest food retailers in Europe, Aldi possesses plenty of resources and over the decades accumulated knowledge to leverage its major capabilities in a new market. The Uppsala model suggests to gradually establish a presence and learn from the experience in the host market. According to the model, MNCs internationalize country by country starting with the countries that are culturally and geographically close and follow with more distant countries and that is precisely what Aldi does when going abroad. This is useful to overcome psychic distance.

Concerning the liability of network outsidership, implying that a firm needs to establish relevant relationships and build trust with allies when expanding internationally and therefore having a disadvantage as a new foreign venture, Aldi's size, again, may be seen as an advantage. Due to the influence and power that comes with the scope of the MNC, and with it the reputation of a successful and long-lasting business partner, potential domestic partners (suppliers, landlords, etc.) may desire to collaborate with Aldi as it is unlikely that the company will go bankrupt or disappear from a market as this has historically only happened once (in Greece in 2010). In sum, although Aldi does not seek to gain trust of potential domestic allies through joint ventures or mergers and acquisitions, the MNC can rely on its prominence and reputation as a reliable, enduring German company.

5.4.6 The Evolutionary Theory

As mentioned in section 3.6, the evolutionary theory puts a focus on the growth of the organization as a whole while emphasizing the importance of the organization's employees and their development. According to the theory, human capital is the key to a sustainable competitive advantage of a firm by accumulating as much experience and knowledge as possible and leveraging the resulting capabilities. Over the years, Aldi has amassed a substantial

amount of knowledge simply due to its successful existence throughout decades of dynamic societal change. This led to the MNC possessing a huge amount of organizational resources that can be carefully preserved and extended with the help of good-quality management in the future. This is an important aspect of the company's future success, as staying the price leader within a market requires constant cost efficiencies, while this is difficult to achieve in the long term in an extremely vibrant consumer world. Furthermore, Aldi's foreign expansion helped the firm to become a large MNC. This continuous international experience keeps increasing the company's value and helps to consolidate its competitiveness.

5.4.7 The Entrepreneurial Approach and The Institutional Theory

As described in section 3.8, the Institutional Theory focuses on the influence institutions have on the companies within a market. Different institutional environments and contexts imply the adoption of multidomestic strategies in order to adapt to foreign countries and to overcome cultural distance. These different institutions include political and economic, but also cultural and country-specific differences. These aspects need to be taken into consideration when making a choice about which host country to choose.

The example of Aldi's expansion plans concerning Slovakia and Croatia well illustrate how significant institutions and their policies are for a company going abroad. Although the MNC already invested in land and buildings in these countries, Aldi ultimately decided to quit their operations in Croatia and Slovakia in 2010 as the company feared for its legal certainty in these countries (Lebensmittelzeitung, 2010).

Despite the two countries being part of Europe and Slovakia already part of the European Union during that time, Aldi still preferred to not get involved with trading in these countries, which demonstrates how conservative and careful Aldi's international expansion approach is. The withdrawal from the Greek market could be interpreted as the elimination of a prospective gamble, as well. The company is rather hesitant when it comes to potential risk.

This does not match the Entrepreneurial Perspective as discussed in section 3.7, as this approach indicates that an important aspect of successful international expansion is opportunity- and risk-seeking behavior.

5.4.8 The Network Theory

The Network Theory examines the role of relationships a firm relies upon such as with agents and suppliers. In Aldi's case, the network it establishes with its suppliers in each market plays a significant role for the MNC because it is a food retail company that sources from local producers. Moreover, Aldi depends heavily on their private label products as mentioned before and therefore would greatly suffer from a damaged reputation if its products' quality became worse or was not available at all. Aldi must trust a supplier for this reason.

Consequently, the company typically carefully examines its potential suppliers and establishes long-term relationships with them. Furthermore, the company generally does not have long-term contracts with suppliers that binds them to Aldi and makes them depend on the MNC in order to treat them in a fair way. However, it is important for Aldi to receive good-quality products for a competitive price in order to keep its reputation upright. If a supplier does not deliver to Aldi's satisfaction, they may lose warehouse delivery rights from the MNC and only in extreme cases lose its business completely. In reverse, giving them warehouse rights step-

by-step is a simple way to test suppliers for Aldi and eventually give them more business gradually (Brandes, 2004).

6. CONCLUSION

Aldi's international expansion strategy has been analyzed in order to understand its national and international success while some of its competitors failed throughout recent years. The case of Aldi was chosen to be examined as it serves as a role model to many other discounters on a global scale. Moreover, the MNC's growth pattern was examined to investigate what the future may bring for the firm.

In order to grasp the company's internationalization approach, recognized expansion theories have been applied to analyze the strategy of the German MNC. Furthermore, the reasons for Aldi's increasing popularity in Germany and abroad have been examined and an overall glance into the food retailing future is provided.

The case analysis has shown that Aldi is a major global employer in the ever-important food retail industry. This sector is likely to stay relevant as long as we need to eat in order to survive, especially as the global population keeps growing. Furthermore, it is a very dynamic industry with consumer trends changing fast; current trends include health- and environment-conscious purchasing.

Aldi is the second biggest food retailer in Europe by turnover with over 4,100 branches in Germany alone and a revenue of approx. € 30 billion. The successful hard discounter offers its customers exceptionally low prices by keeping its company structures and processes extremely efficient, strict employee management with above-average salaries, tight logistics, having a conservative approach towards advertising, and strong purchasing power.

As the original market in Germany is mostly saturated, the company had to find ways to become successful abroad in order to keep growing. Over the decades since its first international expansion in 1968, the company had almost exclusively successful national and international expansions with only a few exceptions such as in Greece.

Aldi's core competitive strategy components include private labels that are significantly cheaper to produce and therefore generate high profitability for the firm, the cost efficiencies that result in a relatively high operating margin, simple structures and processes, as well as careful product diversification including online services and organic products.

Consequently, Aldi's reputation has evolved throughout the years; the company used to be seen as a shop for low-income households only, whereas today a variety of customers, including high-income households, shop at Aldi on a regular basis. Today, customers appreciate the simplicity Aldi offers in an overstimulating consumer world as well as the quality that they get for their money.

Moreover, Aldi mostly relies on its resources and capital: the MNC internationalizes making greenfield investments that require a lot of spending; however, it leaves Aldi total control over the development of the subsidiary. By using greenfield investments, Aldi gets to leverage its company-specific advantages. The company is still family-owned and therefore does not have to report to shareholders. Theodor Junior is the only family member left in a decision-making position within the company. Aldi's way of expanding is careful, slow, and conservative, but steady and mostly successful. In order to meet the modern customer's demand, the company provides certificates, informs about partnerships and donations, and projects an environment-

friendly image by implementing measures such as banning plastic bags and joining the UN Global Contract.

Today, the firm operates in 20 countries, adapting its assortment to each market's customer tastes; therefore, it acts as a multi-domestic MNC. This approach is necessary for food retailers as tastes and preferences regarding food are culture sensitive. Moreover, Aldi has a glocal approach, having some activities centralized and some not.

Aldi started its internationalization journey with geographically and culturally close countries, such as Austria, Belgium, and Denmark. As it gradually became established in each country, it followed with more distant countries. The company's careful and conservative expansion approach as well as the hiring of local personnel has proven rather successful thus far. As a result, today the company is established in several European countries as well as in the U.S., Australia, and China. Despite its large geographic distance, the U.S. and China represent two strategically important markets because of the large population and its purchasing power.

Hiring local staff and slowly expanding while starting with culturally close countries has helped Aldi to overcome its liability of foreignness, while its organizational skills and efficient processes can be considered a monopolistic advantage. Furthermore, being a German company may be even considered an asset rather than a liability as German companies are generally perceived positively.

Although Aldi's product, being the sale of a restricted assortment of fast-moving consumer goods, seems to have reached its growth limit in Germany, there are plenty of countries to expand in and many opportunities to further grow for the company.

Regarding the eclectic paradigm, Aldi's ownership advantage is its cost leadership due to its efficiencies and the resulting low prices. The company's location advantages include the local staff with its market expertise, the freshness of food, and the low transportation costs. Concerning internalization, Aldi's use of greenfield investment provides the company with the advantage of reducing transaction costs as it sources its products from local suppliers.

Aldi expanded precisely the way the Uppsala Model suggests it: gradually starting with nearby countries. The company's size is advantageous as it makes Aldi a desirable potential partner and the resources and accumulated knowledge can be leveraged in the new markets.

This amassed knowledge leads to organizational capabilities that can be preserved, leveraged, and extended continuously.

Furthermore, the institutions in each market considerably affect the MNC's expansion plans. The company tries to avoid potential risk as best it can. While this results in a slow expansion, it seems to be a safe and successful method for the company. This stands in contrast with the entrepreneurial perspective, as Aldi's decision-makers do not demonstrate a risk-seeking behavior.

Lastly, Aldi's supplier network is an important asset for the company's success. As the MNC depends heavily on its private labels, it prioritizes good quality products from its suppliers in exchange for a long-term, reliable partnership. It must trust its suppliers as the company would greatly suffer from a damaged reputation, which is why Aldi examines its potential partners carefully.

Regarding contributions and implications, the insights provided in this work show that the international strategy of Aldi perfectly fits IB classical theories. Furthermore, this work is valuable for stakeholders of the food retail industry, including investors, managers, and entrepreneurs, as it reveals a probable overall direction of the industry.

The case of Aldi may be useful for other aspiring discounters and their management teams in order to determine a long-term expansion strategy.

The case analysis is not without its limitations. Aldi is a privately-held company and does not have to report to shareholders, so obtaining information about its strategies and company insights is rather difficult for an outsider.

Only published company information and secondary information was used to analyze the strategy of Aldi. Hence, future research using more primary information could shed more light on the company and its success. In that sense, relevant interviews with Aldi decision-makers, employees, and customers may deepen the knowledge of the company's overall strategy and development.

Furthermore, future research could investigate the advantages and disadvantages both hard discounters and soft discounters entail. Moreover, the gap between hard discounters and soft discounters can be explored further, as there may be an undiscovered store category in-between. Finally, it might be interesting to research the effect that being a German discounter has on foreign markets or to conclude if there is any.

In summary, Aldi's slow and steady expansion and conservative internationalization approach had positive impacts on the MNC's successful global presence today. However, maintaining the cost leadership position is a difficult task as competition becomes fiercer on a worldwide scale. In order to keep its advantageous position, Aldi needs to keep up-to-date with changing consumer demands and continue to make smart strategic choices.

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ANNEXES

Annex A Interview with Person X

Questionnaire for Aldi Employee X

Fragebogen für Aldimitarbeiter X

May I use this information for my paper “The ALDI Group: From the “mom-and-pop-shop” in 1913 to a worldwide supermarket chain in 2020 – an analysis of a family-run successful growth strategy”?

Darf ich diese Information für meinen Aufsatz “The ALDI Group: From the “mom-and-pop-shop” in 1913 to a worldwide supermarket chain in 2020 – an analysis of a family-run successful growth strategy” benutzen?

X: You may use my information, but I would ask you to not use my name, please.

How important do you think have the influences of the founding family values have been in the evolution of the company?

Wie wichtig waren und sind die Werte der Gründungsfamilie für die Entwicklung der Firma?

X: In my opinion, a bigger role than the family values was their idea which started this empire. The idea to move away from having many options of the same product to offering only one option.

In a way one could also argue that this is also the values most families had during that time right after the war. These values included hard work and the usage of what had been given. Nothing fancy, but only the basics.

What important moments do you think there have been in the company?

Welche wichtigen Momente gab es bei Aldi? (z.B. Einführung der Elektroartikel, Coronavirus, etc.)

X: One of the biggest moments would be the split of the company Albrecht into ALDI SÜD and ALDI Nord.

Another big moment was the switch from old to digital cashier machines. The reason why ALDI SÜD decided to switch so late was that their employees where faster than the digital cashier machines.

What are the most important recent challenges faced by the company?

Was sind die vergangenen und/oder aktuellen Probleme, die Aldi hat?

X: A big challenge was the change in the customer demographic. The former ALDI SÜD customers either experienced or grew up in a household that knew what it meant to have little money or had to overcome hardship due to wars or other issues that affect their livelihood and generation.

The new generations grew up in an area of wealth and endless possibilities. With so many choices, they sometimes can't choose. With new health trends.

How has Aldi solved its problems?

Wie ist Aldi mit diesen Problemen umgegangen?

X: ALDI SÜD changed its store image into a more modern structure. They included more brand names into their assortment. As well as including products that are gluten-free, lactose free, and / or vegan. As well as strengthening their online presence through social media and their website.

When did you start working at Aldi?

Wann hast du angefangen, bei Aldi zu arbeiten?

X: I worked at ALDI SÜD from 2015 until 2018.

Which position did you have?

Welche Position hattest du?

X: I was in a dual study program for three years.

Which responsibilities did you have?

Welche Verantwortungen hattest du?

X: I worked in the stores in all positions as well as the logistics center and the backend departments such as HR, finance, sales, and so on.

How do you see the strategic choices the company makes to maintain its competitiveness in the market?

Wie siehst du die strategischen Entscheidungen, die Aldi trifft, um im Markt wettbewerbsfähig zu bleiben?

X: As the world becomes more digital and companies such as amazon fresh start to get traction on the global markets, it will be ALDIs responsibility to be able to compete with these new competitors as well as their old ones without losing their identity.